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RUEHNAG/AMCONSUL NAGOYA 8392
RUEHKSO/AMCONSUL SAPPORO 0892
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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 10/10/08

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There will be no Daily Summary on October 13 - an American holiday.

ARTICLES:

(1) Foreign Minister Nakasone: No contact from the U.S. about removing North Korea from the list of terrorist-sponsoring states

NIKKEI ONLINE (Full)
October 10, 2008

At a press conference following a cabinet meeting this morning, Foreign Minister Hirofumi Nakasone commented on the issue of the U.S. removing North Korea from the list of states sponsoring terrorism. Making it clear that there had not been any contact from the U.S. about delisting, he said, "The United States will be talking to our country prior to its making a final decision." Chief Cabinet Secretary Tateo Kawamura also announced at his press briefing, "At this point in time, there has been no formal contact from the U.S. about delisting the DPRK in mid-October."

Regarding the contents of the U.S.-DPRK talks on North Korea's verification of its nuclear programs, Foreign Minister Nakasone said that when he met U.S. Ambassador to Japan Schieffer, "he told me that there were remaining points that were still not confirmed." Chief Cabinet Secretary Kawamura also indicated, "Right now, there seems to be a verification process going on within the U.S. government."

On the possibility that the delisting would occur before there was any progress on the abduction issue, Foreign Minister Nakasone stated: "We are asking that the abduction issue be quickly surveyed as an abduction issue. It is not that the nuclear issue, which is in

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the midst of being considered by the U.S., in not unrelated, but we are thinking of separating it off."

(2) Editorial: North Korea nuclear verification-Terror delisting unacceptable

SANKEI (Page 2) (Full)
October 10, 2008

On the issue of North Korea's nuclear verification, the United States and North Korea, having forgone the critical pending issues, will now likely proceed with delisting North Korea as a state sponsor of terrorism. Delisting with no guarantee of strict verification is contrary to the principle of having North Korea completely abandon its nuclear programs, and Japan should not accept it.

A U.S. special envoy briefed the Japanese Foreign Ministry yesterday on the progress of talks held between the United States and North Korea during the recent visit to North Korea of U.S. Assistant Secretary of State Hill, chief U.S. delegate to the six-party talks over North Korea's nuclear programs. What was discussed there in the talks is under wraps. However, North Korea's concurrence is reportedly preconditioned on inspecting its nuclear facilities. There is also a news report saying North Korea's uranium enrichment, which North Korea has refused to declare, and its nuclear proliferation, are not subject to verification.

The six-party talks have reached an agreement, which is North Korea's promise to come up with a "complete and accurate" declaration of its nuclear activities for strict verification. In June, North Korea declared its nuclear programs. Its nuclear declaration, however, did not include uranium enrichment. The United States has called for North Korea to accept overall verification and delayed its action to remove North Korea from the terror blacklist.

North Korea, reacting negatively, called off its process of disabling its nuclear facilities. However, verifying only the existing nuclear facilities is insufficient to have North Korea completely abandon its nuclear facilities. It is also a categorical imperative to uncover North Korea's uranium enrichment as well as its nuclear proliferation to third countries. That is why the United States has stopped its delisting procedures at President Bush's judgment and called for North Korea to show and implement a reliable

verification plan.

North Korea, whenever it is inconvenient, will always play tough and press for concessions. Concurring on vague verification could result in a once-avoided mistake.

Delisting, should it be based on concessions with no principles, would also have a serious impact on the issue of Japanese nationals abducted to North Korea. In June, Japan and North Korea held talks. At the time, North Korea promised to reinvestigate. Nevertheless, North Korea has yet to translate its promise into action.

Time and again, Japan and the United States have confirmed their stance of working together to seek solutions to the nuclear and abduction issues under their principles. When Prime Minister Taro Aso met with abductee families yesterday, he also indicated that the abduction issue still remains unresolved and is an "extremely serious" problem.

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The matter of primary concern is that offhand delisting could rock the Japan-U.S. alliance's unity. U.S. Ambassador to Japan Schieffer said yesterday that the president has not decided anything.

Prime Minister Aso should exactly convey such awareness to the U.S. government, and he should call on the U.S. government to hand down the right judgment. We want Japan and the United States to team up with each other and make North Korea keep its word.

(3) Interview with former BOJ Assistant Governor Eiji Hirano: G-7 should send strong message to contain financial crisis

MAINICHI (Page 9) (Full)
October 10, 2008

The Mainichi Shimbun interviewed Eiji Hirano, executive vice president of Toyota Financial Services and a former Bank of Japan assistant governor, prior to the upcoming meeting of the Group of Seven (G-7) finance ministers and central bank governors in Washington on Oct. 10.

-- The global financial crisis is in a critical state.

A financial bailout bill was enacted in the U.S. But since it was once rejected by the Congress, an increasing number of people began to take the pessimistic view that a solution of the crisis with public funds might be difficult. The crisis has spilled into Europe and the real economy, and this is also a negative factor. Even so, the real economy has not bottomed out. A drastic solution is to inject public funds into financial institutions. The U.S. should immediately take this measure.

-- The central banks of the U.S. and Europe slashed interest rates on Oct. 8.

If it were under normal circumstances, the banks would have taken that step after the upcoming meeting. But reflecting growing tensions in the market, they must have judged it necessary to take action before the meeting in order to win praise from market players. The demonstration of their cooperative stance must work effectively to ease the tensions in the market. But that is not a step to resolve the lack of funds in financial institutions, a problem lying behind the ongoing global financial crisis.

-- U.S. Treasury Secretary Henry Paulson hinted at the possibility of injecting capital into the banking system.

It is necessary for the G-7 to back up the U.S. Britain has revealed plans to inject funds, so a lack of unity among the G-7 nations is undesirable. Taking the crisis seriously, the G-7 should send a strong message expressing a determination to take every possible mean. If the U.S. promptly injects capital, the global economy is expected to bottom out in the latter half of next year. But if the measure is delayed, it would take three years until the system is completely recovered.

-- The yen's value significantly surged against the dollar.

The current financial crisis may lower the United States' status over the long run, but I do not think the U.S. dollar will immediately plunge because the Japanese and European economies also

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remain fragile. I do not think concerted intervention (to prevent a further drop in the dollar's value) is necessary at this stage. The financial crisis is behind the current exchange rate fluctuation, so the top priority task in the coming G-7 meeting is how to overcome the ongoing financial crisis.

(4) Editorial: International financial cooperation; New thinking needed in addressing unexperienced crisis

MAINICHI (Page 5) (Full)
October 10, 2008

Financial authorities flustered by a surge of panic in the market urgently adopt a package of measures, they then look into another package in the wake of another panic -- there seems to be no end to the cascade of this sloppy approach by financial officials.

The U.S. Economic Stabilization Act was legislated after complications were overcome. However, the global financial market is continuing to go on a wild ride. Financial uncertainties are far from being addressed. It appears that the crisis is nearing the unknown phase.

Deeply alarmed about the development of the situation, the central banks of the U.S. and Europe carried out coordinated rate cuts. They aimed to put an end to market anxieties, by making a public appeal that they are ready to address the crisis in unison.

The coordinated rate cuts themselves were a desirable step. However, the measure was not powerful enough to change the situation. This is because cooperation among major industrialized countries was no more than a traditional step. The market is continuing to make nervous moves.

Prior to the coordinated rate cuts, British Prime Minister Brown, who has decided to inject public money into the market in an unprecedented move, said, "The time for adhering to a conventional thinking or outmoded doctrine is over. It is time to take a ground-breaking intervention step to dig into the heart of the matter." He is correct.

The greatest problem is that credit, the major premise for financial institutions, has almost disappeared. Nobody is willing to provide funds for fear of loans turning sour. The blocked cash flow is beginning to threaten the real economy's activities.

It is impossible to regain credit with the piecemeal implementation of measures based on the conventional concept taken only after being prodded by the market. An innovative approach unfettered by the conventional thinking is sought.

This must be done very quickly. Otherwise, it would be impossible to hold out against market movements. U.S. Treasury Secretary Paulson indicated a proactive stance to the injection of public money. It is imperative for him to put it into practice, instead of just referring to such a possibility.

A meeting of the Group of Seven (G-7) finance ministers and central bank governors is to be held, while drawing unprecedentedly heightened interest from the market. It is time for G-7 member nations to cooperate, based on a new thinking. It is only natural for each country to settle its own problems. However, since the

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crisis is increasingly becoming global, it is important to come up with a global policy measure beyond the traditional framework.

For instance, what should be done, if a country finds it impossible to deal with the crisis it is facing, creating a fear of causing a serious setback to the international financial system, should the situation be left unattended? It is way more difficult to take part in an operation to bail out overseas financial institutions. However, industrialized countries are responsible for protecting the global system, because the fallout of the financial collapse could spread beyond national boundaries. Creativity and courage are facing a testing time.

The unprecedented crisis can only be tided over with new thinking and cooperative arrangements.

(5) Prime Minister Aso, seven Aso cabinet members found to have received donations from controversial companies

AKAHATA (Page 14) (Full)
October 10, 2008

It was discovered yesterday that the fund-raising bodies of five Aso cabinet ministers had received political donations from companies charged with bid-rigging practices by the Japan Fair Trade Commission. The number of Aso cabinet members whose fund-raising bodies received donations from shady companies now totals eight, including Prime Minister Taro Aso and Foreign Minister Hirofumi Nakasone.

Finance Minister Nakagawa

The Liberal Democratic Party (LDP) Hokkaido No. 11 chapter headed by Finance Minister Shoichi Nakagawa received a total of 1.66 million yen in donations from three companies that were warned due to violations of the Antimonopoly Law from 2004 through 2007.

The companies in question include: Kushiro Seisakusho Co. (in Hokkaido); Kobe Steel, Ltd. (Tokyo); and Nittoc Co. (Tokyo). Kushiro Seisakusho and Kobe Steel were warned by the FTC over a bridge bid-rigging practice in September 2005. Nittoc was warned in May 2002 by the FTC in connection with a bid-rigging practice in a slope protection project ordered by Kanagawa Prefecture.

According to the chapter's political funding report, Kobe Steel donated 50,000 yen each in 2005 and 2007. Kushiro Seisakusho contributed 120,000 yen in 2005 and 240,000 yen each in 2006 and 2007. Nittoc donated 240,000 yen annually from 2004 through 2007.

METI Minister Nikai

The LDP Wakayama Prefecture No. 3 chapter headed by Economy, Trade and Industry Minister Toshihiro Nikai received 2.53 million yen in donations from three companies even after the discovery of the fact that they had been ordered to suspend business by the Ministry of Land, Infrastructure and Transport.

According to the chapter's report on political funds, the Nikai-headed chapter received 1.44 million yen from Nishijima Seisakusho (in Takatsuki City, Osaka), which was warned to cease and desist all activities due to its bid-rigging practice in a sewage treatment facility project ordered by Tokyo Metropolitan government,

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from 2004 to 2007. It also received 850,000 yen during the same period from Nankai Katsuma Co. (Tsu City), which was excluded from the list of companies designated for competitive bidding due to a design error in bridge pier antiseismic reinforcement work. In 2006 and 2007, it then received 240,000 yen from Ars Bridge & Engineering Co. (Tokushima City), and was ordered to suspend business due to its involvement in a bid-rigging practice in a project ordered by the Ministry of Land, Infrastructure and Transport and others.

The Wakayama No. 3 chapter also received 3.8 million yen from Nitori, which was warned by the FTC to prevent a recurrence of illegally reducing payments to subcontractors.

Declining Birthrate Minister Obuchi

The LDP Gunma Prefecture No. 5 chapter headed by Minister of State for Declining Birthrate Yuko Obuchi received a total of 3.18 million yen from 2004 through 2006 from six companies, including Sanko Air Conditioning Co. (Osaka City), which was excluded from the list of companies designated for competitive bidding over its involvement in the Defense Facilities Administration Agency-led bid-rigging practice, Dai-Dan Co., and Tekken Co.

Land, Infrastructure and Transport Minister Kaneko

The LDP Gifu Prefecture No. 4 chapter headed by Land, Infrastructure and Transport Minister Kazuyoshi Kaneko received a total of 360,000 yen in donations from 2005 to 2007 from Abe Kogyo (which changed the name to Abe Nikko Kogyo Co. in July 2006), which was warned by the FTC to end its activities over its bid-ridding practice in a project ordered by the Ministry of Land Infrastructure and Transport.

Consumer Affairs Minister Noda

The LDP Gifu Prefecture No. 1 chapter headed by Minister of State for Consumer Affairs Seiko Noda received a total of 210,000 yen in 2005 and 2007 from Abe Kogyo.

(6) Three former DPJ presidents challenge verbal confrontation against premier

YOMIURI (Page 4) (Full)
October 8, 2008

The DPJ had former Deputy President Naoto Kan and former Vice Presidents Katsuya Okada and Seiji Maehara take the podium at a meeting of the Lower House Budget Committee on October 7. The three engaged in a battle of words against Prime Minister Aso, while demonstrating the party's policy and their own stances with an eye on the next Lower House election. However, there were visibly scenes where they were arguing on different planes.

The DPJ picked the three as debaters representing the party with the aim of making an appeal to the public that the DPJ has abundant personnel who can run the government, as one senior DPJ official said.

Kan, who took the podium first, emphatically rebutted a criticism that revenue resources to finance the DPJ's policy are unclear, a claim that the government and the ruling camp, starting with Prime Minister Aso, have repeatedly made.

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Aware that the debate was being broadcast on television, Kan used a panel carrying the words "DPJ government's four-year revenue source plan" and explained, using gestures, that it is possible to secure a total of 56.9 trillion yen in revenue sources over four years starting in fiscal 2009, by cutting back on public works. He pressed Aso, saying, "We have clarified the revenue sources. The government and the ruling parties have yet to clarify revenue resources to finance a fixed-sum tax break and a rise in the portion of the basic pension funded from tax revenues. This is not fair."

The prime minister rebutted Kan by saying, "The government and the ruling parties are responsible for implementing policies properly. We will work out the revenue source issue at a meeting of the Tax Research Commission to be held at the end of the year." Finance Minister Nakagawa opposed Kan, saying, "Given the DPJ's explanations, I found more inaccurate points about revenue sources." Regarding revenue sources for the fixed-sum tax cut, he simply said, "We will discuss the matter later in the days ahead."

Okada, who took the podium after Kan, focused on measures to combat global warming, his bailiwick. When he asked Aso whether he intends to succeed former Prime Minister Fukuda's long-term goal of cutting global warming gas emissions by 60 PERCENT -80 PERCENT, the prime minister was at a loss, because he did not know the target figure.

Okada criticized the three-part reform (tax grant cuts from the

central government to local entities, slashing of central government subsidies and a shift in tax revenues sources from the central government to local governments), which the prime minister compiled as internal affairs minister, calling it a "failure." He pursued Aso, asking, "How can you carry out decentralization, if you become prime minister?"

Aso stressed that he realized the transfer of tax revenue sources worth 3 trillion yen in the three-part reform. However, he admitted that he was unable to dig into final authority, as he was appointed foreign minister part way.

Touching on the government policy of cutting a natural increase in social security expenses by 220 billion yen each fiscal year, Maehara proposed making up for that portion with revenues generated by the integration of road-related tax revenues into the general account. The prime minister, however, dismissed the proposal, saying, "The issue has yet to be looked into. However, I have no intention of allocating the full amount for that purpose."

(7) TOP HEADLINES

Asahi:

Scholarship society to give info to banks on students with delinquent repayments

Mainichi:

Okayama lawyer overcharges fees for work as state-appointed lawyer

Yomiuri: Nikkei:

Japan to propose at G-7 use of foreign reserves for IMF emergency loans to rapidly emerging countries

Sankei:

Financial assets worth 21 trillion yen disappeared in nine days

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Tokyo Shimbun:

Professor Yamanaka generates iPS cells without viruses

Akahata:

Give top priority to protection of people's livelihood: Sacrificing public unforgivable

(8) EDITORIALS

Asahi:

(1) Additional economic pump-priming measures: It is most important to reconstruct safety network

(2) Refueling bill: Rush-in Diet deliberations abnormal

Mainichi:

(1) International financial cooperation: New thinking needed to handle unprecedented crisis

(2) Additional economic stimulus package: Remove anxieties people are feeling about future

Yomiuri:

(1) Coordinated rate cuts: Market urging U.S. to take additional measures

(2) Result of achievement test: Revision to release rule needed

Nikkei:

(1) Government, BOJ should come up with effective measures to address sudden change in economic conditions

(2) Flashpoints still remain after reconciliation between Georgia and Russia

Sankei:

(1) Global stock plunges: U.S. should decide on capital injection

(2) Verification of North Korea's nuclear development program: Removing the country from U.S. list of state sponsors of terrorism unacceptable

Tokyo Shimbun:

- (1) Financial crisis will question true value of G-7
- (2) Revision to Worker Dispatch Law: Ban on dispatch of day workers progress

Akahata:

- (1) Four Japanese win Nobel Prize: Major occasion to assist basic research

(9) Prime Minister's schedule, October 9

NIKKEI (Page 2) (Full)
October 10, 2008

08:30

Met at Kantei with LDP and New Komeito policy chief Hori and Yamaguchi, and LDP International Financial Crisis Project Team chief Yanagisawa. Called Osamu Shimomura, winner of Nobel Prize in chemistry.

10:00

Attended Upper House Budget Committee session.

10:04

Met with Welfare Minister Masuzoe, followed by Land, Infrastructure

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and Transport Minister Kaneko, by METI Minister Nikai.

11:22

Met at Kantei with Chief Cabinet Secretary Kawamura.

11:49

Had lunch with secretary Japanese restaurant Tempura-Tenshin in Hiraga-cho.

13:21

Arrived at his private office in Nagata-cho.

16:31

Met at Kantei former Finance Minister Ibuki, later joined by Kawamura.

17:03

Met with LDP Administrative Reform Promotion Headquarters chief Chuma. Met afterwards with JCCI President Okamura, followed by Foreign Ministry Asian and Oceanian Affairs Bureau Chief Saiki.

18:06

Met with Defense Ministry Defense Policy Bureau Chief Takamizawa, Defense Intelligence Headquarters Chief Sotozono and Cabinet Intelligence Director Mitani. Mitani remained.

20:14

Met with Deputy Chief Cabinet Secretary Matsumoto at Bar "Golden Lion" in Imperial Hotel.

22:30

Returned to his private residence in Kamiyama-cho.

(Corrected copy): Legislation to extend refueling mission until Jan. 2010 likely to pass Diet on Oct. 24, at earliest

SANKEI (Page 2) (Excerpts)
October 10, 2008

A bill amending the New Antiterrorism Special Measures Law is likely to pass the Diet later this month. The bill is designed to extend the ongoing Maritime Self-Defense Force's refueling mission in the Indian Ocean beyond its January expiration. This development followed a suggestion yesterday by the Democratic Party of Japan (DPJ), which is opposed to the bill, to put the bill to the vote in a meeting of the House of Representatives Special Committee on Oct. 20. The bill will be voted down in the opposition-controlled House of Councillors but will be reinstated by a two-thirds lower chamber overriding vote on the 24th, at the earliest.

The legislation will make it possible for Japan to continue the refueling operation, which Japan has labeled as its main contribution in the war on terror, until January in 2010.

The Lower House Antiterrorism Special Committee decided in its executive meeting yesterday to hold a session for explanations about the rationalization for the government-sponsored bill and a counterproposal by the DPJ today and deliberations on the bill on the 17th and the 20th. The DPJ proposed in the meeting taking a vote on the 20th. The bill is likely to be approved by a majority from the ruling camp and clear the Lower House on the 21st.

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The DPJ intends to vote the bill after few days of deliberations in the House of Councillors. After it is voted down in the Upper House on the 24th, at the earliest, the bill will be enacted by an override vote in a Lower House plenary session the same day.

The refueling service was suspended last November but was resumed in February as the New Antiterrorism Special Measures Law was enacted by a revote in the Lower House this January with approval from the ruling camp. The said law is to expire on Jan. 15.

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SCHIEFFER